



MAYOR AND COUNCIL AGENDA

NO. 4

DEPT.: Finance /
STAFF CONTACT: Dominic Del Pozzo

DATE PREPARED: February 12, 2005
FOR MEETING OF: February 22, 2005

SUBJECT: Fiscal Year 2005 Budget Amendment

RECOMMENDATION: Introduce the ordinance to amend ordinance #20-04 to appropriate funds and levy taxes for Fiscal Year 2005.

DISCUSSION:

Background

In accordance with the City Charter, since the budget ordinance is adopted at the fund level, a change in the appropriated amount of any fund requires action by the Mayor and Council. The vehicle for such action is an ordinance to amend the budget. The attached budget amendment ordinance would amend the Fiscal Year 2005 budget for a variety of purposes, such as providing prior year surplus funds for contracts that were entered into during FY04; recognizing grants that were awarded to the City after the budget was adopted last June; authorizing the use of surplus revenue; and reappropriating funds that normally "roll over" from one fiscal year to the next. First, noteworthy changes are mentioned briefly, and then all proposed changes are discussed. A summary list of the changes is attached.

Significant Items

This amendment would transfer \$800,000 of the City's General Fund surplus (fund balance) to the Capital Projects Fund. Of the total, \$200,000 is required for the City Hall renovation mainly due to the fact that the first contractor had to be terminated. Also, \$200,000 is required to fund the financial system upgrade (contract approved by the Mayor and Council in December). Road maintenance and repair will require an additional \$200,000 as well. The last \$200,000 is the annual planned transfer of surplus funds that was mentioned in recent quarterly financial reports.

At the halfway point in the Fiscal Year, Water and Sewer Fund revenues, particularly those that are dependent on new development, have not kept pace with the adopted budget and will need to be reduced significantly. The Water Fund, which was budgeted to have a net loss of just over \$100,000, is presently projected to experience a net loss of about \$700,000. In the Sewer Fund, total revenues need to be reduced by \$750,000, which results in a revised FY05 net income of approximately \$550,000. More detail on these shortfalls is provided below.

Revenue from real property tax is projected to be over budget by \$200,000. All of this additional funding would be made available for contingencies.

NOTE: There continues to be a possible need to transfer up to \$923,832 from the General Fund to the Capital Projects Fund to cover the costs of the police communication system that may not be reimbursed by federal grant funds from the COPS program. That transfer is not included in this amendment because there is still a possibility that some of the costs could be reimbursed by the grant. A memo on this issue was included with the First Quarter Financial Report.

FY2004 Encumbrances

The City must reappropriate funds to cover encumbrances (funding set aside to meet contractual obligations) that were outstanding at the close of the previous fiscal year. Purchase orders for these encumbrances were issued before the end of the fiscal year, but the goods or services were not delivered until after the beginning of the new fiscal year. At year-end, these funds were "reserved" for appropriation in the new fiscal year; this ordinance accomplishes that appropriation.

<u>Fund/Department</u>	<u>Encumbrances</u>
<u>General Fund</u>	
Personnel	\$ 2,006
Mayor & Council	4,746
City Manager	35,157
Community Planning/Development Services	37,361
Information and Technology	66,099
Neighbourhood Community Services	0
Police	2,296
Public Works	13,012
Recreation and Parks	15,247
Non-Departmental	<u>3,087</u>
TOTAL	\$179,011
<u>Water Fund</u>	
Public Works	2,702
<u>Sewer Fund</u>	
Public Works	800
<u>RedGate Golf Fund</u>	
Recreation and Parks	4,563
<u>Special Activities Fund</u>	
Recreation and Parks	4,680
<u>Community Development Block Grant Fund</u>	
Community Planning/Development Services	<u>9,064</u>
Grand Total (all funds)	<u>\$200,820</u>

Other Operating Adjustments:

General Fund:

- The Swim Center is witnessing increased customer demand, particularly for its swim team and swim lesson programs. Registrations and revenues for both programs have increased by

over fifteen percent compared to last year. This amendment would increase the Swim Center's budget by \$27,421, enabling it to continue to meet the increased demand. Additionally, the budgeted revenue for these programs would increase by \$55,000.

- The King Farm Homestead is not being rented, thus budgeted rental revenue needs to be reduced by \$30,000. This loss is absorbed mainly by increased swim center revenue.
- The Information and Technology Special Projects division (page six in the IT section of the budget book) makes one-time purchases with funding that, if not spent, rolls over to the next fiscal year. This amendment reappropriates \$125,917 of FY04 funding to allow it to be spent in FY05. The funding source is unreserved fund balance; the funds were unspent at the close of FY04.
- The Department of Recreation and Parks' Kindergarten Activity Time (KAT) program was eliminated in two schools and had reduced enrollment in a third school. The KAT program is substantially revenue supported, thus the budgeted expenditure reduction of \$227,859 is nearly matched by a revenue reduction of \$217,000.
- GRANTS: The Police Department received a grant for \$6,542 under the Bulletproof Vest Program. Recreation and Parks received a grant for \$23,000 from the Maryland State Arts Council. The RISE Program of the Neighborhood Community Services Department will receive \$11,172 under its Workforce Development Grant. These grants increase revenues and expenditures equally.
- The Police Department's initiative to prevent drunk driving among teens, called the "Every 15 Minutes" program, customarily rolls over unspent funds from the prior fiscal year. This amendment would make available in FY05 \$2,016 that was not spent in FY04. As with the IT program above, the funding source is unreserved fund balance.
- The General Fund's ongoing contingency account will be increased by \$208,438 as a result of the above changes. A status and history of the FY05 contingency accounts is attached.

Water Fund

- Water connection charges, which vary widely according to the pace of development, are currently projected to be \$257,000, as opposed to nearly \$800,000 in the adopted budget. Revenue from water fees is also projected to be below budget by \$260,000. Finally, revenue from sales of materials (sales of water meters) must be reduced by \$100,000. As a result, the Water Fund will experience a greater than expected net loss and will be required to draw nearly \$900,000 from an accumulated prior-year surplus of \$2.8 million.
 - Due to the increased cost of chemicals used to treat the City's drinking water, the water treatment plant requires \$61,000 of increased budget authority. The funding source is surplus from prior years.
 - These changes will impact the water rate in FY06 and future years. The proposed rate is among the items to be discussed during the February 22nd Mayor and Council worksession on the FY06 Budget.
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Sewer Fund

- Sewer fee revenue is expected to fall \$360,000 short of the \$5.7 million anticipated in the adopted budget, and sewer connection charges, which vary widely according to the pace of development, will be \$600,000 short of the \$864,000 included in the adopted budget. The result will be net income in the Sewer Fund of about \$330,000 in FY05 as opposed to a net income of \$1.3 million that was contained in the original budget.
- These changes will impact the sewer rate in FY06 and future years. The proposed rate is among the items to be discussed during the February 22nd Mayor and Council worksession on the FY06 Budget.

Special Activities Fund:

- The RISE Parents program receives contributions from parents to fund youth activities. Funds in the amount of \$2,308 were unspent in FY04 and must be reappropriated for FY05. The funding source is prior year surplus.

Adjustments to CIP Projects

The amounts to be appropriated in the capital budget are provided below by fund.

Water Fund	\$ 31,387
Storm Water Management Fund	1,500,000
Refuse Fund	(147,251)
Capital Projects Fund	624,029
Grand Total (all funds)	\$2,008,165

Water Fund:

- State loan funds in the amount of \$31,387 are available to be appropriated for the Water Pump Project at Glenn Mill Road (210-850-9H34).

Storm Water Management Fund:

- A \$1.5 million interest-free loan from the State that recently became available will be appropriated to two projects: \$750,000 to Wootens Park – Upper (330-850-2J59) and \$750,000 to Wootens Park – Lower (330-850-2H59).
- NOTE: A new stormwater management project at Maryvale Park will be initiated using unspent funds from the Mount Vernon stormwater management project, which has been completed. While there is no new funding being used on the Maryvale Park project, the project sheet was not part of the FY05 budget. The sheet is attached for the Mayor and Council's information.

Refuse Fund

- The Vehicles for City Use project (210-850-1E01) must be reduced by \$147,251 to reflect the capitalization of vehicles at the end of FY2004.

Capital Projects Fund:

- \$200,000 from the General Fund's prior year surplus (unreserved fund balance) is needed to cover additional costs for the City Hall renovation that resulted from the termination of the original contractor. This item was listed in the First Quarter Financial Report as a possible use of fund balance.
- In accordance with the Mayor and Council's approval of the Financial Systems Upgrade contract on December 13, 2004, \$200,000 must be shifted from the General Fund's prior year surplus (unreserved balance) to cover the costs of the upgrade.
- Various road maintenance and repair projects require an additional \$200,000 due to increased costs of asphalt and concrete as well as a general backlog in road maintenance projects.
- The Transportation Demand Management project (420-780-1B10), General Government Program Area) is being increased by \$24,029 to reflect funding received from developers to be used on this project.

Options Considered: N/A

Fiscal Impact: The following funds are affected: General, Water, Sewer, Refuse, Golf, Stormwater Management, Capital Projects, Special Activities, and Community Development Block Grant.

Change in Law or Policy: N/A

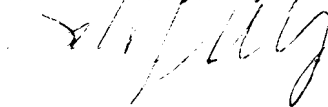
Boards and Commissions Review: N/A

Next Steps: If this ordinance is acceptable to the Mayor and Council, it should be adopted at the February 28th Mayor and Council meeting.

PREPARED BY: Dominic Del Pozzo, Acting Director of Finance



APPROVED BY: Scott Ullery, City Manager



DATE:



LIST OF ATTACHMENTS:

Summary of Budget Amendment Changes

Project Sheet for Stormwater Management Project at Maryvale Park

FY05 Contingency History

Ordinance to Amend Ordinance 20-04 to Appropriate Funds and Levy Taxes for Fiscal Year 2005

Summary of Budget Amendment

Operating Budgets

1 28 2005

General Fund

Revenue Changes

Appropriated Fund Balance	1,106,944
Bulletproof Vest Program - Bureau of Justice Grant	6,542
RISE Workforce Development Grant	11,172
After School Program	(217,000)
Increased Swim Center Participation	55,000
King Farm Homestead Property Rental	(30,000)
Maryland State Arts Council Grant	23,000
Increased Real Property Tax Revenue	200,000
	<u>1,155,658</u>

Expenditure Changes

Contribution to the Capital Projects Fund	800,000
Ongoing Contingency	208,438
Encumbrances from FY 2004 Purchase Orders	179,011
IT Special Projects for Computer Equipment	125,917
Every 15 Minutes program	2,016
Police Uniform Bulletproof Vest Expenses	6,542
RISE Workforce Development Grant	11,172
After School Program	(227,859)
Swim Center - increase expenditures	27,421
Maryland State Arts Council Grant	23,000
	<u>1,155,658</u>

Net Change

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Water Fund

Revenue Changes

Appropriated Net Assets	958,762
Water Connections	(534,200)
Utility Charges	(260,860)
Sale of Material	(100,000)
	<u>63,702</u>

Expenditure Changes

Increase in Chemical Cost	61,000
Encumbrances from FY 2004 Purchase Orders	2,702
	<u>63,702</u>

Net Change

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Summary of Budget Amendment

Operating Budgets

1/28/2005

Sewer Fund

Revenue Changes

Utility Charges	(368,718)
Sewer Connections	(600,000)
	<u>(968,718)</u>

Expenditure Changes

Encumbrances from FY 2004 Purchase Orders	800
Contribution to Net Assets	(969,518)
	<u>(968,718)</u>

Net Change

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Golf Fund

Revenue Changes

Appropriated Net Assets	4,563
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Expenditure Changes

Encumbrances from FY 2004 Purchase Orders	<u>4,563</u>
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Net Change

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Special Activities Fund

Revenue Changes

Appropriated Fund Balance	6,988
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Expenditure Changes

RISE Parents Program Reappropriation	2,308
Encumbrances from FY 2004 Purchase Orders	<u>4,680</u>
	6,988

Net Change

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Community Development Block Grant Fund

Revenue Changes

Appropriated Fund Balance	9,064
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Expenditure Changes

Encumbrances from FY 2004 Purchase Orders	9,064
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Net Change

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Summary of Budget Amendment Changes

CIP Budgets

1 28 2005

Capital Projects Fund

Revenue Changes

Contribution to Specific CIP Projects from General Fund	600.000
Transportation Demand Management Project (Developer Contribution)	24.029
	<u>624.029</u>

Expenditure Changes

City Hall Renovation	200.000
Road Maintenance and Repair	200.000
Financial System Upgrade	200.000
Transportation Demand Management Project	24.029
	<u>624.029</u>

Net Change

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Water Fund

Revenue Changes

State Loan	31.387
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Expenditure Changes

Water Pump - Glenn Mill Rd Project	31.387
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Net Change

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Refuse Fund

Revenue Changes

Capitalization of Vehicles	(147.251)
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Expenditure Changes

Capitalization of Vehicles	(147.251)
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Net Change

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Stormwater Fund

Revenue Changes

State Loan	1.500.000
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Expenditure Changes

Wooton Mills Park -Upper Stream Restoration Project	750.000
Wooton Mills Park -Lower Stream Restoration Project	750.000
	<u>1.500.000</u>

Net Change

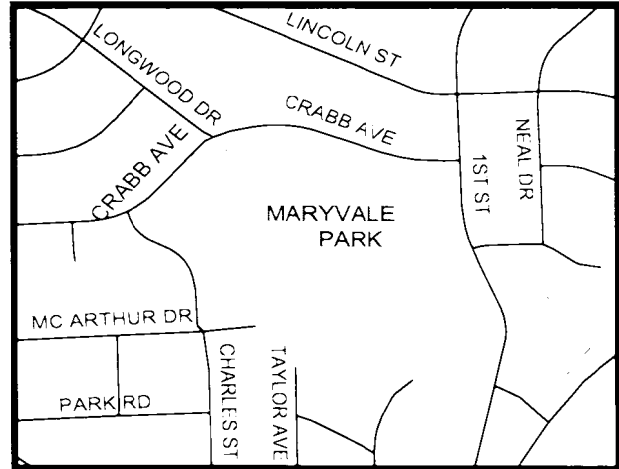
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Project name: Maryvale — SWM
Project number: 330-850-5E59
Program area: Environment

Current appropriation (2004 - 2006): \$110,782
Five-year plan (2007 - 2011): \$545,000
Project total (2004 - 2011): \$655,782

Total prior years' budget (2004 - 2005): \$110,782
Prior years' spent as of: \$0
Prior years' unspent as of: \$110,782
Encumbrances as of: \$0
Prior years' balance as of: \$110,782

FY 2006 appropriation available: \$110,782



Appropriations:	Thru FY 2004	Estimate FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2006 - FY 2011
Plan Design Insp	0	110,782	0	50,000	0	0	0	0	50,000
Construction	0	0	0	495,000	0	0	0	0	495,000
Total	0	110,782	0	545,000	0	0	0	0	545,000

Funding source:	Thru FY 2004	Estimate FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2006 - FY 2011
Stormwater Mgmt		110,782	0	545,000	0	0	0	0	545,000
Total	0	110,782	0	545,000	0	0	0	0	545,000

Operating cost impact:

The completion of this project will add \$500 to the FY 2007 operating budget to fund maintenance.

Description:

This project funds mitigation required by the Maryland Department of the Environment (MDE) to offset the impact of piping 200 linear feet of stream (Frog Run) in Town Square. The mitigation project converts the existing Maryvale II SWM facility from a dry pond to an extended detention wetland marsh. Also included in this project is the construction of a 250-foot by 150-foot soccer field to replace the existing ball field. The focus will be to design a sufficient water quality improvement project to fulfill Town Square mitigation requirements and provide a usable year-round athletic field, while minimizing community disruption and tree impacts.

Schedule:

Prior years' work to be completed - - Design. FY 2007 - Construction.

Status:

Design. This project first appeared in mid-year FY 2005.

Coordination:

Army Corps of Engineers; Maryland Department of the Environment; Maryland Department of Natural Resources; Natural Resource Conservation Service; Adjacent Neighborhoods and Landowners; Development Review Committee; Drainage Improvements (Project 420-850-7A31).

Staff contact:

Department of Public Works. John Hollida, Civil Engineer II, 240-314-8500.

FY 2005
Contingency Summary – General Funds
For the Period Ended December 31, 2004

<u>Adopted Budget Contingency Level:</u>		\$432,303
One-time Contingency	\$176,557	
Ongoing Contingency	\$255,746	
<u>Uses of Contingency Funds:</u>		
Washington Metropolitan Council of Govts.	\$15,316	
Refuse Survey	\$20,200	
Internal Control Study	\$8,500	
<u>December 31, 2004 Contingency Level:</u>		\$388,287
One-time Contingency	\$176,557	
Ongoing Contingency	\$211,730	

ORDINANCE NO. _____

ORDINANCE: To Amend Ordinance
#20-04 to Appropriate
Funds and Levy
Taxes for Fiscal Year
2005.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF ROCKVILLE,

MARYLAND as follows:

SECTION I - ANNUAL OPERATING APPROPRIATIONS

There are hereby appropriated for the fiscal year beginning July 1, 2004, and ending June 30, 2005, out of the revenues accruing to the City for the purpose of operations, the several amounts hereinafter listed under the column designated "Amounts Appropriated":

FUNDS	AMOUNTS APPROPRIATED	
General Fund	[\$48,936,045]	<u>\$50,091,703</u>
Water Facility Fund	[5,041,288]	<u>5,104,990</u>
Sanitary Sewer Fund	[6,620,494]	<u>5,651,776</u>
Refuse Fund	5,133,008	
Parking Fund	1,050,654	
Stormwater Management Fund	1,097,369	
RedGate Golf Course Fund	[1,456,830]	<u>1,461,393</u>
Special Activities Fund	[456,864]	<u>463,852</u>
Community Development Block Grant Fund	[772,882]	<u>781,946</u>
Debt Service Fund	4,333,574	

The "Amounts Appropriated" by this section totaling [~~\$74,899,008~~] \$75,170,265 shall be for the annual operating expenses of the departments and agencies of the City and shall be disbursed by the Clerk and Treasurer under the supervision of the City Manager.

SECTION II - CAPITAL PROJECTS APPROPRIATIONS

There is hereby appropriated out of the revenues accruing to the City for the purpose of capital improvements, the several amounts hereinafter listed under the column designated

"Amounts Appropriated":

FUNDS	AMOUNTS APPROPRIATED	
Water Facility Fund	[\$8,156,148]	<u>\$8,187,535</u>
Sanitary Sewer Fund	12,893,505	
Refuse Fund	[611,599]	<u>464,348</u>
Parking Fund	42,070,601	
Stormwater Management Fund	[4,483,800]	<u>5,983,800</u>
RedGate Golf Course Fund	945,531	
Capital Projects Fund	[104,944,077]	<u>105,568,106</u>

The "Amounts Appropriated" by this section totaling [\$174,105,261] \$176,113,426 shall be for improvement projects and shall be disbursed by the Clerk and Treasurer under the supervision of the City Manager.

SECTION III - GENERAL LEVY

There is hereby levied against all assessable real property within the corporate limits of the City a tax at the rate of thirty-two and two-tenths (\$0.322) cents on each \$100 of assessable value of said property. There is also hereby levied, against all assessable personal property within the corporate limits of the City, a tax at the rate of eighty and one-half (\$0.805) cents on each \$100 of assessable value of said property. These taxes are hereby levied in order, together with other available revenues and funds of the City government, to provide funds for the "Amounts Appropriated" as set forth in the foregoing Section I. The tax levies herein provided in this

section shall not apply to property in the City of Rockville to the extent that such property is not subject to taxes as provided in any valid and binding annexation agreement.

Note: [Brackets] indicate material deleted.
Underlining indicates material added.

I hereby certify that the foregoing is a true and correct copy of an Ordinance adopted by the Mayor and Council at its meeting of _____.

Claire F. Funkhouser, City Clerk